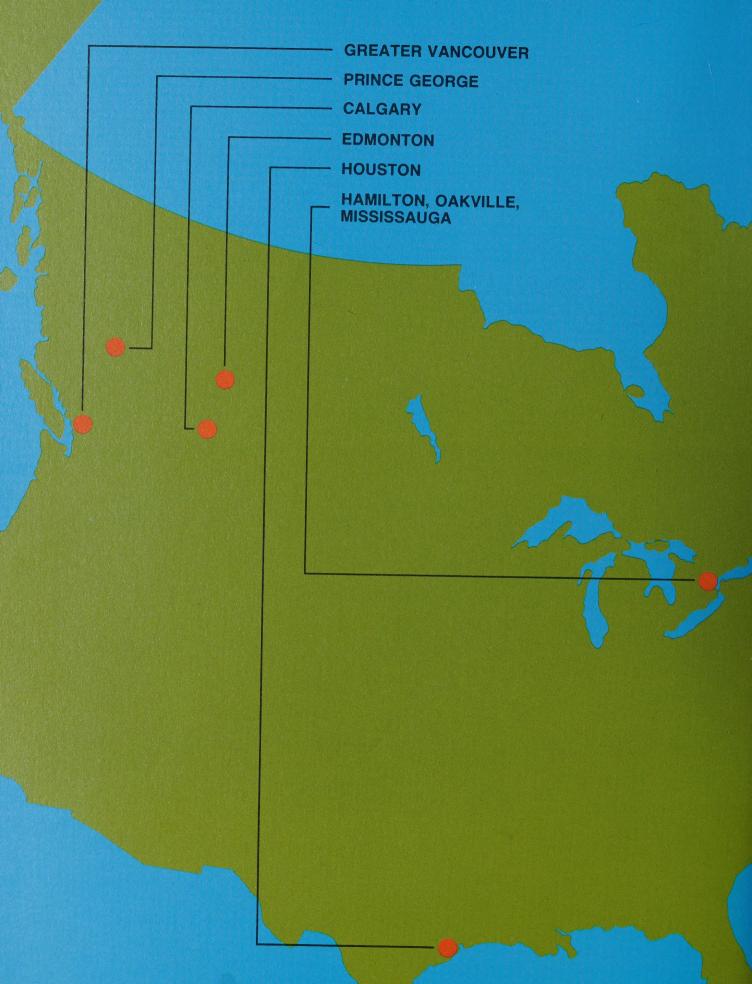


Carma Developers Ltd. Annual Report 1977



#### Head Office:

- 1700 Varsity Estates Drive N.W., Calgary, Alberta T3B 2W9

#### Regional Offices:

- 11104 107 Avenue, Edmonton, Alberta T5H 0X8
  (after Sept. 1 5th Floor, 10009 108 St. T5J 3C5)
   36 Hess Street South, Hamilton, Ontario L8P 3N1
- 10453 137 Street, Surrey, B.C. V3T 5B1

#### **Auditors:**

- Winspear Higgins Stevenson & Co.

#### Transfer Agents and Registrar:

- Montreal Trust Company Class A and B common shares
- The Canada Trust Company Series A and B debentures

#### Shares Listed:

- Toronto Stock Exchange, Alberta Stock Exchange

# **AR19**

PRINTED IN CANADA





Carma's newly opened 80,000 square foot Silver Springs Shopping Centre in northwest Calgary. The aerial view, looking southeast over the centre, shows the mix of residential accommodation in the Silver Springs community.

Carma Developers Ltd. and Subsidiary Companies

#### Consolidated Statement of Income

(Unaudited)

Six months ended June 30, 1977 and 1976

	1977	1976
Revenue		
Sale of residential land Sale of commercial, high density	\$23,244,000	\$25,853,000
and undeveloped acreage	7,306,000	3,801,000
Interest and other	1,735,000	1,692,000
Total revenue	32,285,000	31,346,000
Expenses		
Cost of residential land sold	17,284,000	16.958.000
Cost of commercial, high density		
and undeveloped acreage	4,650,000	2,015,000
Administrative and general	1,535,000	1,234,000
Interest	1,574,000	1,309,000
Depreciation and amortization .	159,000	38,000
Total expenses	25,202,000	21,554,000
Net income before income taxes	7,083,000	9,792,000
Income taxes	3,302,000	4,602,000
Net income for the period	\$ 3,781,000	\$ 5,190,000
Average number of common shares		
outstanding	5,498,055	5,431,142
1077		1070

	<u>1977</u>		<u>19</u>	76
	No Dilution	Full Dilution	No Dilution	Full Dilution
Net income per common share	\$0.69	\$0.68	\$0.96	\$0.94
Cash flow per common share	\$0.50	\$0.50	\$0.76	\$0.75

NOTE: The net income per common share and cash flow per common share for the six months ended June 30, 1976 are restated to reflect the two-for-one share split, effective November 4, 1976.

# To the shareholders.

Carma recorded net income of \$3,781,000 or 69 cents per share on total revenue of \$32,285,000 for the six months ended June 30, 1977. This compares to net income of \$5,190,000 or 96 cents per share from total revenue of \$31,346,000 in the first half of 1976. While revenues reached a record six months high, softer markets and increased costs resulted in lower net returns for the half-year period.

Residential sales in the second quarter totalled 227 lots compared to the 573 recorded in the first quarter. Edmonton led the way with 50 sales in Pineview and 42 in Clareview. Major Calgary sales were 59 lots in Ranchlands West and 13 in Braeside. The Vancouver area showed improved results with sales of 42 lots in Sur-Del's Glen Robertson subdivisions and 15 lots in the Chilcotin and Deferin subdivisions of the Mapleridge district.

Carma's first commercial venture, the 80,000 square foot Silver Springs Shopping Centre, was officially declared open on June 18th by Calgary Aldermen Mrs. Pat Donnelly and M. E. (Pat) Ryan in a brief ribbon cutting ceremony. Located in the heart of Carma's Silver Springs community, the centre offers the blend of retail and professional services required in a young and growing community. The centre, which was 98 per cent leased by the end of June, will play an important role in the commercial portfolio of the company.

The entire development cycle, from raw land assembly to the eventual collection of the proceeds from developed land sales, is a complex one that is continually becoming more lengthy. In order to finance your company's increased scale of operations with the inherent delay in normal payment schedules, the bank operating line of credit was renegotiated upward in June to \$20 million. Your board of directors has also recommended that the company proceed with negotiating a \$10 million preferred share issue. A special general meeting of the shareholders has approved creation of 2 million First Preferred Shares with a par value of \$20 each.

Two major land purchases have been completed in the Edmonton area since our last report. The most recent involves a joint venture agreement for the purchase of an undivided one-half interest in 366 acres in the Riverbend-Terwillegar area of southwest Edmonton. This land lies within the existing city boundaries and is expected to be the next major residential development area in Edmonton. Three separate parcels totalling 896 acres within the town limits of Leduc, immediately south of Edmonton, were also added to the land portfolio. These acquisitions compliment the previous holdings in St. Albert and Fort Saskatchewan and provide a balanced land position for future development.

Two lot draws were held in Calgary during June. Calgary south district optioned 225 lots in Phase 2 of The Woodlands community. The Calgary north lot draw resulted in 117 lots under option in Phase 1A of Ranchlands West, Dalhousie 5B and Edgemont Phase 1A. Both lot draws represent options in the second quarter and will contribute to third quarter sales.

Progress has been satisfactory in the Houston area. A divisional advisory board and a builder-shareholder group have been formed. The first Houston lot draw, consisting of 305 lots in the Concord Colony community, is planned for August 18, 1977. Unacceptable development restrictions have resulted in a post-ponement of our planned program in Prince George. Sales of residential lots in Phase 2 of the Albion Estates community in Hamilton have been delayed.

Regular quarterly dividends of 8 cents per Carma A share and 6.8 cents per Carma B share were paid May 13, 1977. With the payment of this dividend, the tax-paid undistributed surplus remaining was not sufficient to provide another payment of the tax-paid dividends on the B shares. As a result, the following

"Notice to Shareholders" was mailed June 24, 1977:

"With the dividend paid May 13, 1977, tax-paid undistributed surplus on hand is not sufficient to provide further tax free dividends on a regular basis. Accordingly, at the same time as a cash dividend is declared by the Directors on Class A shares, the Directors will declare an equal cash dividend on each Class B share then outstanding, payable at the same time as the said dividend on the Class A shares. This dividend on Class B shares will include any remaining tax-paid undistributed surplus when such amount is finally determined by audit and approved by the Department of National Revenue, Taxation."

We report with regret the resignation of Gary Santini from the Carma board of directors. We welcome back to the board,

Rod Gerla, a director in 1976.

Carma's divisional advisory boards continue to play an important role in the success of the company by providing management with a flow of local expertise and experience. Members of the present divisional advisory boards are as follows:

Calgary:

Ben Gross, Al Hill, Gary Reed, Mike Ross, Eck Spindler, Tony Usselman, Jim Wolfe

#### Edmonton:

Eric Albrecht, Art Fleck, Stan Hooper, Rudy Janzen, Dave Jenkins, Gerard Lemieux, Nick Schintz

#### Hamilton:

Doug Ennis, G. H. James, Eric Johnson, Jay Robinson, Glyn Stanger

#### Vancouver:

Peter Beauchamp, Doug Bigelow, Larry Bourne, Eugene Harder, Peter Hyndman, Denny Pearce, Mitts Sakai

#### Houston:

Will Kennard, James Culp, Greg Martin, Rudy Janzen, George Eeds, Dick Hansen

#### I.C.I.:

Walter Badun, Joe Finochio, Ken Ford, Peter Hyndman, John Shields, Barry Wong

Ralph Scurfield, chairman, Joe Combe, vice-chairman and chief executive officer, and Roy Wilson, president, are voting members of all advisory boards.

Roy Wilson, President. Carma Developers Ltd. and Subsidiary Companies

### **Consolidated Statement of Changes** in Financial Position

(Unaudited)

Six months ended June 30, 1977 and 1976				
	1977	1976		
Cash was provided by:				
Operations  Net income for the period  Items not requiring the outlay  of cash	\$ 3,781,000	\$ 5,190,000		
Depreciation and amortization Deferred income taxes	. 159,000 (1,173,000)	38,000 (1,088,000		
Cash provided from operations Decrease in agreements on	2,767,000	4,140,000		
commercial and high density land Decrease in land, buildings and	-	318,000		
equipment	103,000 3,241,000 5,764,000	- 3,762,000 274,000		
Increase in income taxes payable Issue of secured debentures,	-	2,964,000		
Series A	_	10,000,000		
Series B	15,000,000	-		
foreign exchange	76,000 86,000	403,000		
	\$27,037,000	\$21,861,000		
Cash was used for:				
Increase in trade and other receivables	2,454,000	3,339,000		
cial and high density land Increase in investment in land and	824,000	-		
utility costs	5,142,000	1,667,000		
equipment	_	106,000		
under construction	1,238,000 691,000 —	543,000 993,000		
Decrease in option deposits Decrease in income taxes payable	452,000 7,080,000 2,629,000	14,724,000		
Decrease in secured debentures, Series A	405,000	-		
Conversion of Series C debentures Dividends paid	879,000	350,000 543,000		
	\$21,794,000			
Increase (decrease) in cash and deposit receipts	\$ 5,243,000	\$ (404,000)		

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# Offices

#### **Head Office:**

Calgary, 1700 Varsity Estates Dr. N.W. T3B 2W9, Phone — (403) 286-3331

#### **District Offices:**

Edmonton, 5th Floor, Victoria Place, 10009 - 108 Street T5J 3C5, Phone — (403) 425-0250 Hamilton, 36 Hess Street South L8P 3N1, Phone — (416) 529-3650 Vancouver, 10453 - 137 Street, Surrey, B.C. V3T 5B1, Phone — (604) 585-3121 Houston, Suite 130, 908 Town & Country Blvd. 77024, Phone — (713) 465-8909

### Cover

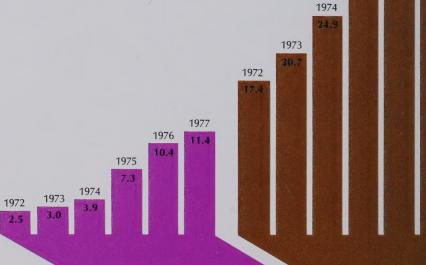
The Calgary skyline looking southwest toward the foothills. The photo, taken in November 1977, depicts that famous "Chinook Arch" while highlighting the beauty and grandeur of this great city.

1975

Financial	1977	1976
Total revenue	\$62,100,000	\$57,755,000
Net income	\$11,410,000	\$10,429,000
Net income per common share	\$ 2.07	\$ 1.91
Cash flow per common share	\$ 3.15	\$ 1.86
Common shares outstanding at year end	5,519,640	5,479,568

### **Operating**

- 90 per cent of total sales revenue derived from Alberta operations.
- Carma Developers (Texas) Inc. launches operations in Houston, Texas. 1,500 acre land bank assembled. First Texas lot draw in August, 1977.
- Major Edmonton land acquisitions.
- Carma land bank increased to 14,995 acres.
- Four shopping centres under construction by ICI Division. Final approvals nearing on Deerfoot Business Centre a prestige commercial industrial complex in northeast Calgary.



# Introduction

While this annual report presents a review of the happenings and events for the year ended December 30, 1977, it also launches Carma Developers Ltd. into a new year and a 20th anniversary. On February 4, 1958 Carma Developers Ltd. was incorporated as a private company. Now, 20 years later, the company can look back with pride at its growth and success during the past two decades.

And, while steady progress and growth have been features of Carma's success, especially since the expansion era starting in 1972 when the company became public, the basic philosophies and goals have changed very little. Carma Developers Ltd. is a builders' organization. The company's primary business consists of developing lots for its builder-shareholders, who are the majority owners. While

1976 1975 1977 1974 1976 1973 1973 12.6 1974 10.9 10.9 10.8 1972 1972 Carma does not build houses, it does work closely with the builders to create and promote new residential subdivisions. The company was originally formed to meet the needs of many Calgary builders who required an assured supply of serviced residential lots in order to remain in business. Carma shares a unique relationship with its many

builder-shareholders, a relationship which is governed by individual marketing contracts between the company and each builder-shareholder. This contract assures the builder-shareholder the right to purchase a defined percentage of the residential building lots developed by Carma in each division in which the builder-shareholder holds a marketing contract. For years, Carma entered into only one type of marketing contract with its builder-shareholders. However, with the expiration of all marketing contracts on April 1, 1977, the need for revision, up-dating and expansion of the contracts was considered necessary. Carma proposed a new "series" of marketing contracts, an "A" contract for all operating areas plus an experimental "B" contract for Calgary and Edmonton builder-shareholders, dealing with participation in certain joint venture lands only. In conjunction with the "B" contract runs a Joint Venture Land Acquisition Agreement and a Joint Venture Land Development Agreement which provide for builder-shareholder involvement in joint venture developments with Carma. While the new marketing contracts and agreements are more complex because of the changing times and conditions, they continue to reflect Carma's interest and concern for its participating builder-shareholders.

Divisional Advisory Boards have always played an important role in the success of the company. Carma has five active regional areas of operation — Vancouver, Calgary, Edmonton, Hamilton and Houston. Each area has an advisory board of up to ten members, composed of house builders, Carma representatives and others with required

expertise. The house-builder members are selected by active house builders who hold a marketing contract for the appropriate area. Each local advisory board assists the regional management in decisions regarding land acquisition, the timing and extent of land development and the marketing of land. Thus, the local participation, expertise and policy planning is of prime importance to a successful regional operation. The Industrial, Commercial & Investment Division has its own advisory board, appointed by the board of directors of Carma, and consists of senior Carma officers and prominent representatives from the Canadian business community.

Following incorporation in 1958, Carma continued as a private company until 1972, when it converted to a public company. During this 14 year period, operations and development were conducted in Calgary only. However, when opportunities for growth were presented, Carma embarked on an expansion program. During 1972, 610 acres of raw land were acquired in the Edmonton area and 69 acres in Vancouver. The Vancouver operations were expanded in 1973 through the acquisition of Sur-Del Builders Development Ltd. with land holdings in the municipalities of Delta and Surrey. British Columbia holdings were further increased with the purchase of 160 acres in Prince George. The Ontario market was entered by purchasing 280 acres in Hamilton during 1973. During the 1974 - 1976 period, additional purchases and land consolidations increased holdings in Ontario, British Columbia and Alberta. By the end of 1976, land controlled by the company totalled 12,637 acres.

Carma established an Industrial, Commercial & Investment (ICI) Division in 1974 to invest in income producing properties. The basic philosophy of this division is to construct shopping centres in Carma created communities and to procure top quality property with revenue potential. The ICI Advisory Board was formed in 1976 with its membership having a strong mix of commercial expertise. During 1976, Carma acquired a 50 per cent partnership interest in 260 acres of industrial land in northeast Calgary.

Since 1972, Carma's growth has been consistent and above the general industry average. Its entry into new geographic areas has expanded the land bank to 14,995 acres at December 30, 1977, from a modest 6,115 acres in 1972. This growth and expansion will enable Carma to meet the challenge of the 1980's and further enhance its reputation as a proven, financially sound developer.



Joe Combe Vice-chairman of the board, chief executive officer.

Joe assisted in the formation of Carma in early 1958 and was appointed general manager and secretary when the operations commenced in June, 1958. Joe has provided 20 years of strong and brilliant leadership to the Carma organization. We pay special tribute to him on this 20th anniversary.

# **Corporate Directory** — 1977

# **DIRECTORS AND OFFICERS**



Carma Developers Ltd. Board of Directors, 1977

Standing L. to R.) Ralph Scurfield — Chairman of the Board, Howard Ross.

Seated L. to R.) Scott Taylor, Tony Usselman, Klaus Springer, Stan Hooper, Roy Wilson — President, Joe Combe — Vice-Chairman of the Board, Chief Executive Officer, Rod Gerla, Larry Bourne, Rudy Janzen.

### **Directors and Officers**

Ralph Scurfield*	Chairman of the Board Director	President, Nu-West Development Corporation Ltd.
Joe Combe*†	Vice-Chairman of the Board Chief Executive Officer Director	President, Ebmoc Management Ltd.
Roy Wilson*	President Director	President, Carma Developers Ltd.
Howard Ross*	Director	President, Britannia Homes Ltd.
Larry Bourne	Director	President, Van Bourne Homes Ltd.
Rod Gerla†‡	Director	Vice-President, Nu-West Development Corporation Ltd.
Stan Hooper†	Director	President, Stanton Developments Ltd.
Rudy Janzen	Director	Vice-President — Edmonton Carma Developers Ltd.
Klaus Springer‡	Director	President, Springer Construction Ltd.
Scott Taylor†	Director	Vice-President, Pembroke Management Ltd.
Tony Usselman‡	Director	President, Anton Developments Ltd.

<sup>\*</sup> member executive committee

### Other Officers

Gary Reed	Vice-President
	Calgary
Barry Wong	Vice-President
	ICI Division
Dick Owen	Chief Financial Officer
Sam Travis	Secretary and
	General Counsel

<sup>†</sup> member audit committee

<sup>‡</sup> member compensation committee

# Report to the shareholders

Your company's optimism for 1977 caused periodic concern during the unpredictable year just completed. In spite of record first quarter earnings, cumulative results at the third quarter were well below comparable figures for 1976. A fourth quarter surge, however, increased total 1977 earnings to an acceptable level, considering the highly competitive and cost oriented market situation.

We are pleased to report that Carma Developers Ltd. recorded net income of \$11,410,000 or \$2.07 per share on total revenue of \$62.1 million in 1977. This compares favorably to net income of \$10,429,000 or \$1.91 per share from total revenues of \$57.8 million in 1976. Sales of "commercial, high density and undeveloped acreage" provided an increased share of the sales dollar - 32 per cent of the 1977 total, compared to 21 per cent in 1976. Alberta operations contributed 90.6 per cent of the record sales volume with Calgary's share an impressive 63.8 per cent, enabling it to regain its position of providing better than half of the company's total sales revenue.

Details of the year's financial activity, in particular the payment of 1977 dividends, Series B debenture issue and the issuance of the Series A First Preferred Shares, are noted in the financial review. Your board announced that dividends for 1978 would be increased by 50 per cent, to 48 cents per Class A and B common share, with the first quarterly payment of 12 cents to be made on February 10, 1978, to shareholders of record as of January 31, 1978.

Of particular significance to the future of your company was the entry into the United States market in the Houston, Texas area. Initial purchases and options established a land bank of approximately 300 acres in the spring of 1977, which was increased to 1,500 acres with the acquisition of a further 1,200 acres in November. The formation of a builder-shareholder marketing pool enabled Carma Developers (Texas) Inc. to hold its first lot draw in Concord Colony during August, 1977. Your board is especially optimistic concerning the potential of the Houston operations.

The Edmonton region completed important land acquisitions during the year. An undivided one-half interest was acquired in 366 acres within the city limits in southwest Edmonton, and an additional 146 acres were purchased outright in the same Riverbend area. The total land bank was further increased with the purchase of 896 acres in the Leduc area, a rapidly expanding satellite community 15 miles south of Edmonton. The Calgary division completed negotiations for the sale of 160 acres of undeveloped land in the northeast sector of the city. Carma, however, maintained the right to purchase up to 75 per cent of the serviced single family and duplex lots derived from the development of this land. Carma management was actively involved in several annexation proposals encompassing land holdings in the Edmonton and Calgary market areas. Total land holdings by Carma at December 30, 1977, were 14,995 acres, an increase of 2,358 acres over the previous year.

Results from the British Columbia and Ontario operations did not meet expected performance targets. A generally sluggish and depressed market situation prevailed throughout both provinces during 1977. Adverse economic and development conditions resulted in a postponement of our operations in Prince George, B.C. While the approval process continues to be a problem in the greater Vancouver and Hamilton areas. the inventory of serviced lots appears adequate to provide for the short term requirements of the builder-shareholders.

The ICI division made significant progress during the year under review. The Silver Springs Shopping Centre was officially opened in June, 1977, and is fully operational. Late year construction starts were made on four additional shopping centres to serve Carma communities, one each in Hamilton and Calgary and two in Edmonton. Negotiations proceeded toward the final design plan and approval of the first phase of the Deerfoot Business Centre, Carma's partnership venture in the commercial and industrial park development market. This 260 acre project, located near the Calgary International Airport has all the potential of becoming a major development.

Our industry faces increasing challenges, dictated by the rapidly changing economic and social patterns of our time. The need to accurately predict market demand for the coming years is of paramount importance. Affordability will continue as the major criteria in the decision making of the prospective home buyer. New communities and developments must be carefully planned to maximize buyer acceptance and minimize final costs, but current approval processes are such that the possibility of attaining either goal is extremely remote.

Affordability, further innovation, and an assured housing supply cannot be accomplished with the continued governmental red-tape strangulation of the housing and development industry. If all Canadians are to be housed in an acceptable, affordable manner, then our private industry sector must be allowed to perform to its potential. Carma's newly acquired experience in the Houston market clearly indicates that there are viable alternatives to many of our Canadian industry problems.

As 1978 unfolds, the prospects point toward a continuance of the past growth patterns. Carma's well established Alberta base will continue to provide a solid financial foundation for the company, while the contribution from the Houston operations will play an increasingly important role in the total picture. Current indicators provide a hint of optimism for an improvement in the greater Vancouver market area. However, Ontario remains a question mark. While we share the same basic economic concerns as most Canadians, we are confident that the strong Carma team can establish 1978 as another successful year.

C. J. Combe,
Vice-Chairman and
Chief Executive Officer

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Roy Wilson, President

# Review of Operations — Land Division

#### **ALBERTA**

Carma's strong, viable and well established base of operations in Alberta was the major contributing factor to another year of record earnings. The "Golden Province" provided 90.6 per cent of the total sales revenue.

#### **Calgary**

The Calgary north district was the run-away performance leader for 1977, generating gross revenue in excess of \$25 million. Major sales of single family and semi-detached lots included 306 in Crowchild Ranch (formerly Ranchlands West), 144 in Edgemont (mostly estates lots), and 32 "duplex" lots in Dalhousie. Total sales of "commercial, high density and undeveloped acreage" exceeded \$9 million and included multi-family sites in Edgemont, Crowchild Ranch and Dalhousie and the sale of 160 acres of undeveloped land in the northeast Falconridge area.

Agreements to relocate a sour gas well in northeast Calgary were finalized in 1977. Drilling is now complete and testing underway. The successful removal of the sour gas hazard is expected to allow development to commence on Carma's Falconridge lands in the near future. During the year, Calgary City Council amended the Beddington Design Brief to permit development to proceed in a portion of the MacEwan Glen area in north Calgary. Barring unforeseen developments, this community will be marketable in 1979, nearly 10 years after the initial planning stage. Public



Calgary north's Edgemont subdivision under construction. Looking south towards city centre.

hearings were held in November, 1977, by the Local Authorities Board, on Carma's petition to have the Simon's Valley area annexed into the City of Calgary. The final decision on all Calgary annexation proposals has not been released by the provincial cabinet.

Calgary south district was a strong second in residential lot sales with a net total of 307 lots recorded for the year. Of this total, 158 were in The Woodlands community and 124 in Braeside Estates (both joint-venture projects). Multi-family sites in The Woodlands and Braeside Estates contributed roughly one-third each to the \$3.1 million in total sales of "commercial, high density and undeveloped acreage". The balance represented the value of Carma's 50 per cent interest in 97 acres sold to the provincial government as the key parcel in the assembly of land for the Fish Creek Provincial Park. The land, which had an appraised value of \$3.7 million was transferred to the province for a token payment of just over \$200,000, a donation which reflects the company's concern for the environment and a desire to benefit the people of Alberta. At the end of 1977, the



Servicing in progress, Phase II of the Woodlands in southwest Calgary — early spring 1977.

south district did not have any single family lots or multi-family sites in inventory, due in part to larger than normal sales of lots to individuals during the year. 51 lots in The Woodlands and 24 in Braeside Estates were sold on an "across the counter" basis.

Options taken late in the year on 29 Heritage Woods two acre country estates lots will be recorded as sales in 1978.

Planned sales areas for the Calgary region in 1978 include Crowchild Ranch, Edgemont, Falconridge and The Woodlands.

#### Edmonton

The Edmonton region was the second largest revenue producer for 1977 with total sales of \$15.5 million, of which approximately two-thirds was derived from single family lot sales.

All activity in the Edmonton west district was concentrated in the Blue Quill subdivision, virtually completing this southwest Carma community. 83 lots valued at \$3.3 million were sold with sales of multi-family sites contributing a further \$3.4 million. Edmonton east district sold 264 lots during

the year, comprised of 105 in the Fort Saskatchewan community of Pineview, 149 in Clareview (northeast Edmonton) and 10 in Millwoods (southeast Edmonton). Sales of multi family sites were also recorded in Millwoods and Fort Saskatchewan.

Land acquisitions in the Edmonton region were of major importance. Carma acquired key short-term acreage in southwest Edmonton through the outright purchase of 146 acres plus an undivided one-half interest in another 366 acres in the Riverbend area. Three parcels totalling 896 acres were purchased at Leduc, immediately south of the City of Edmonton, in May, 1977.

A portion of the Carma residential lands included in the original Fort Saskatchewan annexation applications were approved on January 17, 1978.

The original application, made in 1976, requested the addition of approximately 2,000 acres of Carma joint-ownership land. Final approval, which included only 880 acres, will nevertheless permit Carma to commence development in this expanding area. No decision has been reached, as yet, on Carma's application for land in northwest Edmonton to be annexed to the city.

After a series of delays, it is expected that the first phase of Woodlands, Carma's joint venture project in St. Albert, will contribute to 1978 sales. Fort Saskatchewan and Clareview are also included in sales projections for the coming year.



An aerial view of Carma's Newton Glen South subdivision in Surrey, British Columbia.

#### **BRITISH COLUMBIA**

Generally depressed economic conditions throughout British Columbia were reflected in the 1977 results from Carma's Vancouver operations.

Unsold lots in inventory were nevertheless reduced from 1976 levels.

#### **Greater Vancouver**

A total of 172 lots were sold in the three marketing pools of Vancouver Centre, Vancouver Maple Ridge and Sur-Del. The Glen Robertson subdivisions in Surrey recorded 97 lot sales or better than half of the year's total. Chilcotin Country in Maple Ridge with 61 lot sales completed the major areas of activity.

Cannery Place, a 44 lot development in Ladner, was the only new project to win final planning approval during 1977. Numerous problems were encountered on planned projects in Richmond, North Delta, Surrey and Maple Ridge which caused lengthy delays. Present negotiations indicate that 1978 approval is probable on several major projects, including Sunshine Woods, a 60 acre development in North Delta, two subdivisions in the Guildford area of Surrey, a cluster home subdivision in Maple Ridge and a 70 lot project in Richmond. Tiffany Estates, a 48 acre parcel and the last major undeveloped land in Richmond, was optioned in early 1977. This comprehensive development with a proposed total of 432 units consisting of single-family lots, street townhouses, condominium townhouses, apartments and a commercial site, is scheduled for marketing in 1978-79.

The planned increase in the numbers and variety of lots available in the more desirable communities, coupled with an emerging increased demand, point to an improved Vancouver performance for 1978.

#### **ONTARIO**

#### Hamilton

Hamilton results for the year showed a complete reversal when compared to the excellent results of 1976. The sale of eight residential lots produced the only recorded revenues for the year. Projected revenue from the marketing of Albion Estates, Phase 2, vanished in the gloom of the economic uncertainty and bewilderment that clouded the new home market. With the very limited market response and a high unsold inventory of new housing in southern Ontario, it seems unlikely that 1978 will show much improvement. Development of the remaining land in Hamilton is dependent on resolving planning and transportation problems, as well as more positive sales results from the already completed areas.

#### **Oakville**

Approvals are still being sought for the Iroquois Ridge development in Oakville. The town of Oakville's proposed Official Plan Amendment is before the Ontario Municipal Board and this hearing is expected to last well into the spring of 1978. Carma is actively involved in presentations to the lengthy hearing.

#### Mississauga

Planning has continued throughout the year on Carma's 27<sup>1</sup>/<sub>2</sub> per cent interest in 71.6 gross acres in Mississauga. The residential, mixed-use community, to be called The Woodlands, will proceed at the fastest pace allowed by the approval process.

#### **TEXAS**

#### Houston

The incorporation of Carma Developers (Texas) Inc., paved the way for an exciting development program during the year. Since early spring when Carma's first modest venture into the Houston market was officially announced, progress has been dramatic. Initial land purchases and related options on 300 acres in The Colonies in northwest Harris County, provided an immediate opportunity for development.

A divisional advisory board was quickly formed and a 10,000 share builders pool was established with 12 builder-shareholders signing the new Houston marketing contract. As development of Concord Colony, the first of three planned communities, had commenced prior to Carma's purchase, it was rapidly transformed into the company's pioneer Houston community. The first lot draw was held on August 18, 1977. Of the 305 Concord Colony lots, 189 were offered at the August lot draw and the remainder were subsequently optioned to the builder-shareholders. 34 of the lots were registered and recorded as sales in 1977 and the balance will be included in 1978 revenues.

The final, necessary approvals for the two bordering Colonies, Yorktown to the north and Jamestown to the east, are expected in 1978. These two communities will provide an additional 600 lots for the builder-shareholders.



Aerial view of countryside near Houston, Texas showing a portion of Frensley Land.

The land bank was increased significantly in November, 1977, through the acquisition of an additional 1,200 acres, lying northwest of The Colonies holdings. Consultants have been hired to prepare the marketing and environmental impact studies required for the development of this recently acquired land. Planning has been started for the formation of the necessary Municipal Utility Districts (MUD's) to service this larger area. It is expected that the first phase lots from this totally planned community will be available in 1979, to assure an ongoing builder-shareholder lot supply in the northwest market area.

Given the combination of quality land holdings, Carma's development expertise and a community geared to progress, the future of Carma's Houston operations appears bright indeed.

# **Review of Operations** — ICI Division

One shopping centre completed . . . construction starts on four additional shopping centres . . . planning well underway on a large "business centre" complex; that in a nutshell sums up the visual 1977 accomplishments of Carma's ICI division.

#### **Calgary**

Silver Springs Shopping Centre was officially opened in June, 1977. Virtually all of the available space in the 80,000 square foot centre has been leased and an active merchants association has been formed. Construction commenced in the fall on Carma's second Calgary shopping centre, an attractive 50,000 square foot complex located in Carma's southwest Braeside community. It is well situated to serve both the communities of Braeside Estates and The Woodlands. Leases with major tenants have been finalized and agreements for most of the remaining space will be completed, prior to the scheduled opening in the summer of 1978.

Deerfoot Business Centre is the first venture into the commercial-industrial park development market. This major project is to be constructed on the 260 acre "Carma-Tomhig" land, lying between Deerfoot Trail and 11 Street N.E. and straddling 64 Avenue N.E. The site is ideally suited for this type of development and offers one of the best locations in the entire City of Calgary. It features excellent exposure from the Deerfoot Trail plus convenient access to downtown Calgary, the new international airport terminal and major north and east highways and thoroughfares. The Deerfoot Business Centre is



Artists rendering of Deerfoot Business Centre in northeast Calgary. Phase I construction is scheduled for 1978.

planned to blend eye appeal with a wide range of industrial, commercial and consumer amenities. Land use and subdivision approval has been recommended by the Calgary Planning Commission for the first phase (the area north of 64 Avenue N.E.). Final approval requires the ratification of City Council. Servicing of the site is scheduled to commence in May, 1978 with the first buildings planned for occupancy in 1979. (see location map inside back cover.)

#### **Edmonton**

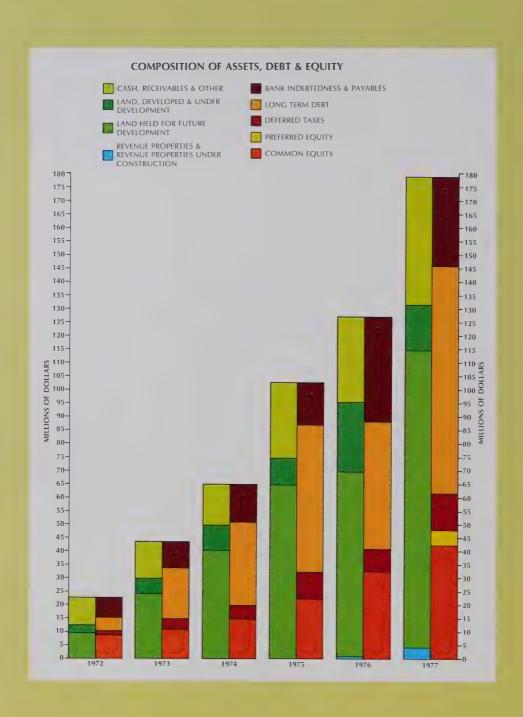
December construction began on shopping centres in two Edmonton Carma communities. Both are individually designed to complement their specific neighborhoods and feature a stylish cedar and brick exterior.

The Lakewood Centre is located in the southeast Millwoods district and has a gross area of 19,100 square feet. The Belmead Centre is located in west

Edmonton, and while different in layout design, has about the same gross area as Lakewood. Both are scheduled for opening in May, 1978.

#### Hamilton

Construction of Albion Plaza, Carma's first shopping centre project in eastern Canada, commenced in September, 1977. The Plaza is located in the company's Albion Estates subdivision. This convenient, well designed and landscaped shopping plaza will be a welcome addition to the community. The opening is planned for the spring of 1978.



### **Financial Review**

1977 was another excellent year for Carma Developers Ltd. Revenues of \$62.1 million and net income of \$11.4 million represented new record levels of achievement, being increases of 7.5% and 9.4% respectively, over the previous record revenues and net income recorded in 1976. These earnings have enabled your company to greatly increase the return to shareholders by way of dividends from 5 cents per share in 1975 to a proposed 48 cents per share in 1978. It is our belief that a fair return to investors is essential in raising the tremendous amounts of funds required to carry on and expand the company's operations. Funds generated from profits are also important and increased in 1977 to \$17.4 million, but such re-investment is not sufficient to satisfy the many financial demands on the company, particularly the cost of establishing and maintaining a proper land bank during these inflationary times.

Considerable effort was also made during the past year in laying the foundation for future growth by strengthening the financial position of the company. This strength can now be directed towards the ongoing goal of increasing the value of each shareholder's investment through improvements in both the return on investment and the

quality of earnings. New funds were obtained by means of a \$15 million Series B debenture issue in February 1977 and a \$5 million First Preferred Share issue in October 1977. During the summer the line of credit with the company's bankers was renegotiated upwards to \$20 million at a reduced rate of interest and under more flexible terms and conditions. Several major investments were therefore possible, including key land acquisitions in Edmonton, the investment of over \$5 million into U.S. operations and a great improvement in the working capital position of the company. Consequently, the company is well prepared financially to take advantage of new opportunities as they arise. Also, during 1977, a thorough information-needs study was performed and significant progress has now been made on a new computerized reporting and forecasting system to enhance the company's operating managers' ability to compete in an ever more complex business environment.

# Financial Review

	1977	1976 °	લ્ટે <b>લ્ટ</b> ે <b>1975</b> ને	1974	1973	1972
Financial statistics						
(thousands of dollars)						
Revenue	\$ 62,100	\$ 57,755	\$ 39,487	\$24,889	\$20,688	\$17,360
Net income	11,410	10,429	7,266	3,871	3,002	2,467
Funds from operations	17,357	10,173	10,920	4,959	4,532	3,428
Dividends	1,762	1,091	267	162		
Per common share*						
Net Income — basic	\$ 2.07	\$ 1.91	\$ 1.41	\$ 0.80	\$ 0.62	\$ 0.57
— fully diluted	2.05	预制设施1.87	WEST 1.39	0.69	0.53	0.47
Funds from operations	3.15	1.86	2.12	1.02	0.94	0.79
Dividends . M. M. W. M.	90°05 <b>0.32</b>	6575 0.20	A 3 4 0.05	0.033	<b>:</b> 1878	YALKKU X
Book value William William	36844 <b>7.75</b>	482/52 6.03	% ∮8 ° <b>4.36</b>	3.02	2.26 × 2.26	4.63
Market price range	5.50- 9.25	4.25 - 6.00	2.62 - 4.88	2.33 - 4.71	2.42 - 3.12	2.25 - 2.83
Other statistics						
Land,						
developed and undeveloped	\$127,599	\$ 94,091	\$ 74,779	\$49,175	\$30,456	\$12,853
Total assets	179,011	127,373	103,423	64,825	44,591	23,522
Long term debt	84,637	45,317	54,518	31,645	19,229	6,774
Shareholders' equity	47,798	33,054	23,282	14,672	10,893	7,863
Common shares outstanding*						
Actual	5,519,640	5,479,568	5,339,442	4,855,006	4,829,784	4,816,404
Average	5,506,807	5,456,498	5,148,742	4,848,288	4,824,504	4,360,166
Number of employees	61	53	39	24	18	11

<sup>\*</sup> adjusted for the 3-for-2 split in September 1975 and the 2-for-1 split in November 1976.

### **CARMA DEVELOPERS LTD. and Subsidiary Companies**

# **Consolidated Statement of Income**

YEAR ENDED DECEMBER 30, 1977

	1977	1976
	(\$000's)	(\$000's)
Revenue		
Sale of residential land	\$39,199	\$41,573
Sale of commercial, high density and		
undeveloped acreage	18,602	12,286
Rental income	302	
Interest and other	3,997	3,896
Total revenue	62,100	57,755
Expenses		
Cost of residential land sold	24,867	27,010
Cost of commercial, high density and		
undeveloped acreage sold	8,906	4,958
Administrative and general decision and deci	3,005	2,486
Interest (Note 11)	3,640	2,506
Depreciation and amortization A	<u>350</u>	<u>173</u>
Total expenses	40,768	37,133
Net income before income taxes	21,332	20,622
Income taxes	9,922	10,193
Net income	\$11,410	\$10,429
Earnings per share (Note 14)		

The accompanying notes form part of this statement.

# Consolidated Statement of Retained Earnings

YEAR ENDED DECEMBER 30, 1977

	1977	1976
	(\$000's)	(\$000's)
Balance, beginning of year	\$28,526	\$19,188
Net income	11,410	10,429
	39,936	29,617
Dividends paid	1,762	1,091
Balance, end of year (Note 15)	\$38,174	\$28,526

The accompanying notes form part of this statement.

# Consolidated Balance Sheet

DECEMBER 30, 1977

А		
	•	

7100210		
	1977	1976
	(\$000's)	(\$000's)
Cash and deposit receipts	\$ 4,276	\$ 141
Marketable securities, at cost, market		
value \$1,560,000	1,510	
Receivables (Note 3)	37,951	29,053
Land, developed and under development (Note 4)	16,703	25,286
Land held for future development (Note 5)	110,896	68,805
Land, buildings and equipment, at cost less		
accumulated depreciation \$311,000; 1976 — \$244,000	1,948	1,941
Rental properties, at cost less accumulated		
depreciation \$16,000	2,836	_
Rental properties under construction, at cost	1,488	1,511
Deferred financing costs less amortization		
\$334,000; 1976 — \$105,000	1,403	636

#### ON BEHALF OF THE BOARD

Director

\$179,011

\$127,373

Koy M. Wilm Director

The accompanying notes form part of this statement.

# LIABILITIES

	1977	1976_
	(\$000's)	(\$000's)
Bank indebtedness (Note 7)	\$ 6,987	\$ 5,271
Payables and accruals (Note 8)	21,475	18,428
Income taxes payable	1,569	10,663
Payable on land under development	2,565	6,275
Long term debt (Note 9)	84,637	45,317
Deferred income taxes	13,980	8,365
	131,213	94,319
,		
Share capital (Note 10)		
Authorized — not to exceed \$52,000,000 (1976 — \$12,000,000)		
2,000,000 8 <sup>3</sup> / <sub>4</sub> % Cumulative redeemable first		
preferred shares with a par value of \$20		
6,000,000 Class A convertible common shares		
without nominal or par value		
6,000,000 Class B convertible common shares		
without nominal or par value		
Issued and outstanding		
250,000 Preferred shares, Series A	5,000	
1,951,184 Class A convertible common shares		
(1976 — 1,941,728) and		
3,568,456 Class B convertible common shares		
(1976 — 3,537,840)	4,613	4,517
Contributed surplus	11	11
Retained earnings (Note 15)	38,174	28,526
	47,798	33,054
	\$179,011	\$127,373

# Consolidated Statement of Changes in Financial Position YEAR ENDED DECEMBER 30, 1977

	1977	1976
	(\$000's)	(\$000's)
Cash was provided by		
Operations — Opera	had 440	
Net income	\$11,410	\$10,429
Items not requiring the outlay of cash	350	× 34 × 173
Depreciation and amortization	5,597	(429)
Deferred income taxes		
	17,357	10,173
Increase in bank indebtedness	1,716	2,603
Increase in payables and accruals		7,502
Increase in income taxes payable		7,877
Increase in mortgage and agreement payable on rental properties	3,478	
Issue of secured debentures, Series A	3,470	10,000
Issue of secured debentures, Series B	15,000	
Issue of common shares	96	434
Issue of preferred shares, Series A	5,000	- The second
	42,647	38,589
	.2,0.7	30,303
Cash was used for	0.000	
Increase in receivables	8,898 1,510	2,712
Increase in investment in land and	1,510	
utility costs	8,757	17,620
Increase in land, buildings and equipment	74	1,050
Increase in rental properties and rental properties under construction	2,829	1,511
Increase in deferred financing costs	996	646
Decrease in trade and other payables	910	
Decrease in income taxes payable	9,094	
Decrease in term bank loans	2,629	14,695
Redemption of secured debentures, Series A	553	<u> </u>
Redemption of secured debentures, Series B	500	
Redemption of subordinated convertible debentures		372
Dividends paid	1,762	1,091
	38,512	39,697
Increase (decrease) in cash and deposit receipts	\$ 4,135	\$(1,108)

The accompanying notes form part of this statement.

# Notes to Consolidated Financial Statements

**DECEMBER 30, 1977** 

#### 1. Accounting policies

The Company's accounting policies are in accordance with the recommendations of the Canadian Institute of Chartered Accountants.

#### (a) Income recognition

(i) Land sales

Land sold is recognized as income for accounting purposes on the date on which title to the land passes on closing of the sale. Land sold by way of an agreement of purchase and sale is recognized as income when the agreement is duly executed and delivered. In both cases, income is recognized only when the Company has received a cash down payment of not less than 15 per cent.

(ii) Rental revenue

Rental revenue is recorded as it is earned, subject to the Company's capitalization of costs policy.

#### (b) Land costs

The Company determines the cost of developed lots sold and unsold as follows:

- (i) Undeveloped land cost is prorated on an acreage basis in each phase of a subdivision under development.
- (ii) Servicing costs are estimated and prorated on a front footage basis in each phase of a subdivision under development.
- (iii) Upon the substantial completion of each phase of a subdivision under development any difference between actual and estimated servicing costs is recognized by way of adjustment in the accounts.
- (iv) Each phase of a subdivision under development is treated as a complete development area.

#### (c) Capitalization of costs

(i) Land held for future development

The Company capitalizes the following as a part of the cost of land held for future development:

- (A) Interest on agreements relating directly to the acquisition of land held for future development.
- (B) Real estate taxes on land held for future development.
- (C) Interest on general long term debt borrowing deemed applicable to the Company's investment in land held for future development.
- (D) Other direct costs applicable to land held for future development, including administrative overhead, commissions, legal fees, soil testing and engineering studies.
- (ii) Rental properties and rental properties under construction

The Company follows the policy of capitalizing direct carrying costs such as interest, realty taxes and that portion of administrative expenses considered applicable to each rental project, net of revenues received, until an acceptable level of occupancy is achieved. Capitalization is subject to a reasonable time period based on the size and nature of each rental property.

#### (d) Deferred income taxes

The Company records income taxes on the tax allocation basis. Deferred income taxes result primarily from:

#### (i) Treatment of

- (A) Utility costs expended on the development of subdivisions in relation to cost of sales recorded in the accounts.
- (B) Certain carrying costs relating to land held for future development and rental properties.
- (C) The deferred portion of financing costs.

- (ii) The recognition of profits for income tax purposes from land sales when the balance of the purchase price is due after the end of the year.
- (iii) Capital cost allowance claimed for income tax purposes in excess of depreciation recorded in the accounts.

#### (e) Depreciation and amortization

- (i) The Company follows the sinking fund method of accounting for depreciation of rental properties and office buildings. Under this method, buildings are depreciated over their estimated useful life in annual amounts increasing at the rate of 5% compounded annually. The estimated useful life is 50 years for office buildings and 30 45 years for shopping centres. Other equipment is depreciated on a basis sufficient to amortize the cost over its estimated useful life.
- (ii) The Company amortizes the costs of equity financing on a straight-line basis over a ten-year period. Costs of debt financing are amortized over the retractable term of the debt.
- (iii) Initial leasing costs for rental properties are capitalized and depreciated with the building.

#### (f) Foreign exchange

Accounts in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the balance sheet date. Unrealized gains are recorded as deferred income and unrealized losses which exceed unrealized gains are expensed. Realized gains or losses are reflected in the statement of income at the time they occur.

### 2. Principles of consolidation and accounting presentation

The consolidated financial statements include:

- (a) The assets and liabilities and results of operations of all of the Company's subsidiaries and,
- (b) The proportionate share of assets, liabilities, income and expense and commitments of the Company's interest in unincorporated and incorporated joint ventures and partnerships. The Company has a 50 per cent interest in all unincorporated joint ventures and partnerships to which it is a party.

3.	Receivables	1977	1976
	Trade, secured by agreements of purchase and sale bearing	(\$000's)	(\$000's)
	interest at varying rates up to 12% (1976 — 13%), and maturing within one year	\$25,444	\$19,497
	density and undeveloped acreage bearing interest at varying rates up to 12% (1976 — 13%)	9,737 2,770	7,064 2,492
		\$37,951	\$29,053
	The receivables are due as follows: 1978 1979 1980 1981 1982 Subsequent to December 30, 1982	\$32,147 3,007 649 611 658 879	
		\$37,951	

### 4. Land, developed and under development

	1977	1976
Land, developed and under development,	(\$000's)	(\$000's)
at total estimated cost	\$19,853	\$37,897
Deduct: Estimated costs to complete	3,150	12,611
Land, developed and under development, at cost to date	\$16,703	\$25,286

### 5. Land held for future development

Land held for future development, including option deposits, is stated at the lower of cost and net realizable value, and includes the following:

	1977	1976_
	(\$000's)	(\$000's)
Land and option deposits	\$ 96,378	\$ 62,385
Interest	6,703	4,022
Development costs	5,794	1,346
Taxes, professional fees and commissions	1,400	857
General and administrative expenses	621	195
	\$110,896	\$ 68,805

To acquire the land under option, an additional expenditure of \$12,864,000 (1976 — \$6,684,000) will be required.

During the year \$4,288,000 (1976 — \$3,087,000) was charged to land held for future development for interest, taxes, professional fees and commissions and general and administrative expenses.

#### 6. Appraisal

The Company's land, rental properties and rental properties under construction were appraised as at December 30, 1977 and December 30, 1976 by J. C. Leslie Appraisals Ltd., Appraisers and Real Estate Consultants. The results of these appraisals are as follows:

	1977	1976
	(\$000's)	(\$000's)
Appraised value		
Land, developed and under development	\$ 37,697	\$ 60,503
Land held for future development	255,462	208,273
Rental properties and rental properties		
under construction	9,108	2,494
Total appraised value	\$302,267	\$271,270
Appraisal increment		
Land, developed and under development	\$ 17,844	\$ 22,606
Land held for future development	137,496	134,130
Rental properties and rental properties		
under construction	4,784	983
Total appraisal increment	\$160,124	\$157,719

The appraised value does not make any allowances for selling and administrative expenses nor income taxes related to the sale of the appraised land or rental properties.

The appraisal is the sum total of the individual appraisals of the individual properties. No assumptions have been made with respect to the bulk sale of the entire holdings or groups of properties.

#### 7. Bank indebtedness

The bank indebtedness is represented by operating bank loans of the Company and a subsidiary company. The bank indebtedness of the Company is secured by a general assignment of receivables and a first floating charge demand debenture. The bank indebtedness of the subsidiary company is secured by a general assignment of receivables and demand debentures, all as related to the subsidiary.

#### 8. Payables and accruals

19	1976
(\$0	(\$000's)
Trade and other payables \$11	<b>,216</b> \$12,129
Accrued development costs on land sold	,259 6,299
	,475 \$18,428

A net unrealized foreign exchange gain of \$256,000 (1976 — Nil) is included in trade and other payables.

#### 9. Long term debt

	1977	1976
	(\$000's)	(\$000's)
Payable on land held for future development  Agreements of purchase and sale and mortgages payable  at interest rates varying up to 13 <sup>1</sup> / <sub>2</sub> % (1976 — 13%)	\$56,569	\$32,045
Term bank loans		2,629
Mortgage payable on rental property  The mortgage bears interest at 11%		
and matures in 1992	3,095	_
Agreement payable on rental property		
under construction	383	_
11.5% Secured Debentures, Series A		
These debentures which mature in 1996 are		
retractable at the holder's option on		
December 15, 1981. The debentures are		
secured by a fixed and specific mortgage,		
pledge and charge of certain specified assets,		
and a floating charge upon the undertaking		
and all other property and assets of		
the Company subject to certain	0.447	10,000
allowable prior charges	9,447	10,000

#### 9. Long term debt (continued)

	1977	1976
441/0/6	(\$000's)	(\$000's)
11 <sup>1</sup> / <sub>4</sub> % Secured Debentures, Series B These debentures which mature in 1997 are		
retractable at the holder's option on		
February 15, 1985. The debentures are		
secured by a fixed and specific mortgage,		
pledge and charge of certain specified assets,		
and a floating charge upon the undertaking		
and all other property and assets of		
the Company, subject to certain		
allowable prior charges	14,500	- 11 10 10 10 10 10 10 10 10 10 10 10 10
8% Subordinated Debentures, Series C		
The Series C debentures, maturing March 1,		
1979 are secured by a floating charge		
on all the assets of the Company		
which ranks subsequent to the security of the 11.5% Secured Debentures, Series A,		
and the 11.1/4% Secured Debentures,		
Series B, as described in this Note	643	643
	\$84,637	\$45,317
	\$04,037	ψ <del>-1</del> 3,317
Principal payments due on long torm debt are as follows:		
Principal payments due on long term debt are as follows:	1977	
	(\$000's)	
1978	\$ 9,370	
1979	8,643	
1980	7,340	
1981	12,028	
1982	5,833	
Subsequent to December 30, 1982	41,423	
	\$84,637	

Long term debt includes \$7,173,000 (1976 — Nil) repayable in U.S. dollars.

#### 10. Share capital

- (a) By a Special Resolution of the shareholders passed on July 28, 1977, the authorized share capital of the Company was increased by the creation of 2,000,000 Cumulative Redeemable First Preferred Shares of a par value of \$20 each.
- (b) During the year the Company issued 250,000 Cumulative Redeemable First Preferred Shares, Series A for a cash consideration of \$5,000,000 before underwriting commission.

- (c) During the year 40,072 common shares (1976 35,078) were issued pursuant to the Company's stock option plan for \$96,000 (1976 \$84,000).
- (d) The Company has a stock option plan under which options on 48,720 common shares are outstanding as at December 30, 1977 (1976 88,792). These options have been granted to senior officers and employees and are exercisable to July 31, 1981 at \$3.00 per share.

#### 11. Interest

			1977	1976
			(\$000's)	(\$000's)
Interest on long term de loans	bt and bank dema	* * * * * * * * * * * * * *	\$ 7,298	\$ 4,928
Less: Interest applicable future developmen			3,472	2,422
Interest applicable properties	to rental		186	
			3,658	2,422
Interest expense		 	\$ 3,640	\$ 2,506

#### 12. Remuneration to directors and senior officers

The aggregate direct remuneration of directors and senior officers amounted to \$460,000 (1976 — \$403,000) which amount included \$45,000 (1976 — \$40,000) in directors' fees.

#### 13. Contingent liabilities and commitments

The Company is committed to spend an estimated \$3,150,000 (1976 — \$12,611,000) to complete subdivisions under development (Note 4). These commitments arise from development agreements entered into with municipal governments.

The Company is contingently liable with respect to letters of guarantee issued by chartered banks totalling \$2,404,000 (1976 — \$7,308,000). The letters of guarantee have been issued in lieu of performance deposits. The Company has also guaranteed a debenture payable of an incorporated joint venture up to an amount of \$729,000.

#### 14. Earnings per share

	1977 Assert	1976
Earnings per share	\$2.07	\$1.91
Fully diluted earnings per share	2.05	1.87

Earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the period.

#### 15. Dividend restrictions

(a) Under the terms of the 11.5% Secured Debentures, Series A and the 11<sup>1</sup>/<sub>4</sub>% Secured Debentures, Series B trust indenture dividends on common shares shall not be declared or paid if after such payment the amount of consolidated shareholders' equity would be less than \$30,500,000.

(b) Under the Anti-Inflation Act, the Company is restricted from paying dividends in excess of \$0.48 per common share in the 12 month period ended October 13, 1978.

#### 16. Government regulations

Effective October 14, 1975, the Federal Government introduced the Anti-Inflation Act which provided for the restraint of profit margins, prices, compensation to employees and dividends. Whether or not the Company is legally subject to mandatory compliance with the Anti-Inflation Act, the Directors have stated that the Company will abide with the spirit of the legislation. As a result, the Company's ability to maintain or increase prices, profit margins and compensation may be restricted during the period in which such legislation is in effect.

The Company has made calculations necessary to determine the effect of the provisions of the Anti-Inflation Act on its operations. On the basis of these calculations, management has concluded that it is in compliance with the Act for 1977 and 1976. Dividend restrictions are explained in Note 15.

#### 17. Joint ventures

The consolidated financial statements include the Company's proportionate share of the accounts of incorporated and unincorporated joint ventures and partnerships. A summary of these amounts are as follows:

				1977	1976
				(\$000's)	(\$000's)
Assets	(1) 		 ,	\$42,014	\$20,856
			* * * * * * * * * * * * * * * * * * * *		8,268
Revenue	****		 		10,688
Expenses		78 Ag	 	5,558	5,389

# Auditors' Report

To the Shareholders of Carma Developers Ltd.

We have examined the consolidated balance sheet of Carma Developers Ltd. and its subsidiary companies as at December 30, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Carma Developers Ltd. and its subsidiary companies as at December 30, 1977 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CALGARY, Alberta February 28, 1978. Winspear Higgins Stevenson & Co.
Chartered Accountants.

# **Carma Land Holdings**

Carma's land bank activities since 1972 are summarized as follows:

	Land Controlled at Beginning of the Year	Land Acquired During the Year	Land Disposed of During the Year	Land Controlled at End of the Year
1972	(acres) 4,504	(acres) 2,593	(acres) 982	(acres) 6,115
1973	6,115	5,421	599	10,937
1974	10,937	1,663	1,797	10,803
1975	10,803	1,953	646	12,110
1976	12,110	1,365	838	12,637
1977	12,637	3,504	1,146	14,995

At December 30, 1977 land controlled by Carma was located in the following regions.

	Land Developed and Under Development	Land Held for Future Development	Total Land Controlled
	(acres)	(acres)	(acres)
Calgary	184	7,491	7,675
Edmonton	34	4,202	4,236
Ontario	104	282	386
Prince George	_	788	788
Vancouver	19	374	393
Houston	19	1,498	_1,517
Total	360	14,635	14,995

Illustrative maps on the following pages depict the extent of the land holdings which Carma manages in its centres of active operation. Those lands where Carma has only an interest, and is not the operator, are omitted from the maps but are included in the preceding tables of acreages. The grid system used on the two Alberta maps are one mile squares to indicate the relative size of the land or communities involved.

### Carma Lot Sales

Residential (low density) lot sales in 1977 were recorded in the following communities:

		No. of Lots
Calgary:	Crowchild Ranch	306
	Edgemont	144
	Dalhousie	32
	Braeside Estates	124*
	The Woodlands	158*
	Silver Springs	23
	Varsity Estates	2
Edmonton:	Blue Quill	83
	Pineview (Fort Sask.)	105*
	Clareview	149*
	Millwoods	10
Hamilton:	Albion Estates	8
Houston:	Concord Colony	34
Vancouver:	Glen Robertson	97
	Chilcotin Country	61
	Maple Ridge	12
	Cannery Place	2
26		1,350

<sup>\*</sup> Carma's net share of joint venture projects.

# **Calgary**

Land being held for future development.

Communities presently being developed and marketed.

Communities that have been developed since the incorporation of the company.

1. Rosemont

2. Westgate

Southwood

Mayland Heights

Greenview

6. University Heights

Vista Heights

8 Charleswood

9. Foothills Estates

10. Charleswood Heights

11. Huntington Hills

12. Dalhousie

13. Varsity Acres

14. Varsity Village

15. Varsity Estates

\*16. Doverglen

\*17. Marlborough West

18. Silver Springs

\*19. Pineridge

\*20. Oakridge - Cedarbrae

21. Silver Springs Extension

22. West Thorncliffe

23. Varsity Estates Extension

\*24. South Dalhousie

\*25. The Woodlands

26. The Woodlands

27. Heritage Woods
28. Scenic Acres

\*29. Rockyview

\*30. Rockyview

31. Falconridge

32. Crowchild and Simon's Valley

33. Crowchild Ranch

÷34 Deerfoot Business Centre.

35 Dalhousie

36 Edgemont

\*37 Braeside Estates

••38 Bearspaw Heights

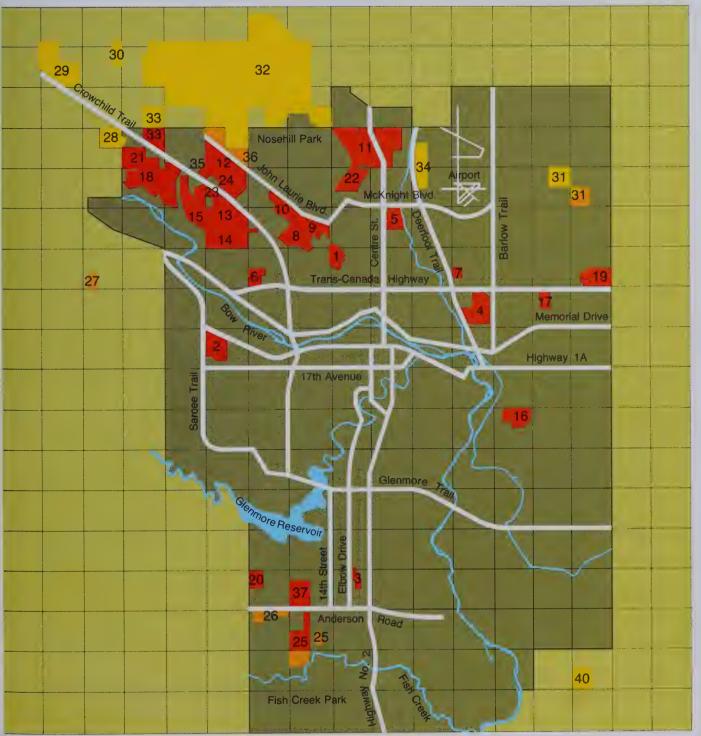
•39. Okotoks

40 South East Calgary

\*Joint Venture

†Partnership

·Outside map area



# **Edmonton and Area**

- Land being held for future development.
- Communities presently being developed and marketed.
- Communities that have been developed since the incorporation of the company.
- \* 1. Block W. Pineview
- \*2. Chamberlain 5 and 6 --- Pineview
- \*3. McNicol 3 Pineview
- \* 4. Fort Saskatchewan Assembly 5. N.E. Edmonton
- \*6. Clareview Neighborhoods 4 and 5
- \*7. Clareview Neighborhood 3 South
- 8. Sherwood Park

- 9. Meyonohk
- 10. Millwoods
- 11. Blue Quill
- \*12. Riverbend
- 13. Riverbend Terwillegar
- 14. Belmead 15. N.W. Edmonton
- 16. Forest Lawn
- †17. Braeside I and II
- †18. Woodlands
- 19. Leduc
- \*Joint ownership
- †Joint Venture



# **Greater Vancouver**

- Land being held for future development.
- Communities presently being developed and marketed.
- Communities that have been developed since the incorporation of the company.
- 1. Richmond
- 2. Ladner
- 3. Richmond
- 4. Tiffany Estates
- Canterbury Heights Extension
   Canterbury Heights

- 7. Canterbury Heights IV 8. Sunshine Woods
- 9. Parkdale

- 10. Dover Estates
- 11. Somerset
- 12. Carleton Place
- 13. Edenridge
- 14. Cloverdale Heights
- 15. Cloverdale
- 16. Glen Robertson
- 17. Newton Glen North
- 18. Newton Glen South

- 19. Guildford
- 20. South Surrey
- 21. South Surrey22. Wildwood Park
- 23. Chilcotin Country
- 24. Maple Ridge
- 25. Compton Heath



# Ontario

Land being held for future development.

Communities presently being developed and

- 1. Albion Estates
- 2. Nash Heights
- 3. Dewitt Park
- Iroquois Ridge
- \*5. Mississauga

\*Joint Venture



# Houston

- Land being held for future development
- Communities presently being developed and marketed.
- 1. The Colonies
- 2. Frensley



#### Builder — Shareholders

#### Calgary

A. B. Custom Designers Ltd.; Art Rempel Homes Ltd.; B & H Homes (Calgary) Ltd.; Bamlett Construction Ltd.; Gerhard Boldt; Britannia Homes Ltd.; Built-Rite Developers Ltd.; Dania Realty Ltd.; Engineered Homes Limited; F. Kuran Construction Co. Ltd.; G. Janssen Homes Ltd.; Gordon J. Hewitt; J. K. Built Homes Ltd.; John Penner Construction Co. Ltd.; Koltes Construction Limited; Lars & Norman Kvellestad; Lietz Construction (1977) Ltd.; Master Craft Homes Ltd.; Mizera Construction Co. Ltd; Neufeld Construction Ltd.; Nu-West Development Corporation Ltd.; Otto Bartel Homes Ltd.; Palace Builders Ltd.; Palace Homes Ltd.; Paragon Homes Limited; Park Place Projections Ltd.; Qualico Developments Ltd.; R. Wiebe Construction Limited; Rempel Construction Company Ltd.; Rosemont Rental Developments Ltd.; Semon & Lucas Construction Calgary Ltd.; Spindler Construction Ltd.; Spindler Holdings Ltd.; Springer Construction (Calgary) Ltd.; Sterling Real Estate (Calgary) Ltd.; V R Homes Limited; Wm. Lange Construction Ltd.

#### Edmonton

Ace Lange Construction Ltd.; Alldritt Development Limited; Amrin Investment Ltd.; Bestlands Development (Alberta) Ltd.; Boychuck Construction Ltd.; Britannia Homes Ltd.; Built-Rite Developers Ltd.; Cairns Homes Limited; Candlelight Homes Ltd.; Delwood Construction & Development Ltd.; Ekert & Smith Construction Ltd.; Engineered Homes Limited; H. A. Roberts Group Ltd.; J. Schouten & Sons Contractors Ltd.; Leamac Industrial Developments Ltd.; Leemar Developments Ltd.; Marlo Homes Limited; Nu-West Development Corporation Ltd.; Oakland Homes Ltd.; Perry Homes of Permanence Ltd.; Qualico Developments Ltd.; S. C. Anderson Developments Ltd.; Schaaf Bros. Construction Ltd.; Skylark Construction Ltd.; Springer Construction (Edmonton) Ltd.; Stanton Developments Ltd.; Vaage Construction Ltd.; Wayne Homes Ltd.

#### Hamilton:

Abbotsford Homes Limited; Atinas Homes Ltd.; Brian Robinson Construction Limited; Cochren Bros. Limited; Cohoe Contracting Limited; Davis Construction; Davis Custom Homes Limited; Edmac Developments Limited; Engineered Homes Limited; George Tkachuk and Son Construction Limited; Gracita Investments Limited; Hiljay Homes Limited; Ivan P. McKenna Construction Ltd.; James Robinson Construction Limited; Jay Robinson Construction Limited; John A. McKenna Construction Limited; John Bruce Robinson Construction Limited; John E. Robinson Construction Limited; Mayotte Limited; Nu-West Development Corporation Ltd.; Razio Construction Limited; Southward Developments Limited.; J. Kern Custom Homes Ltd.

#### Vancouver:

#### i) Vancouver Centre

A. B. Custom Designers Ltd.; Al's Construction Ltd.; L. R. Bourne; Dovertel Construction Ltd.; Engineered Homes Limited; Fairwood Construction Ltd.; Island-View Construction Ltd.; Neal's Construction Ltd.; Nu-West Development Corporation Ltd.; Qualico Developments Ltd.; Rainbow Construction Co. Ltd.; Reinders-Watts Developments Ltd.; G. W. Rempel; Schmid Brothers Construction Ltd.; Springer Construction (Vancouver) Ltd.; Sundel Developments Ltd.; W. G. Henze Construction Ltd.;

#### ii) Maple Ridge

Allankay Construction Ltd.; Brownjohn Homes Ltd.; R. J. Cooke; Engineered Homes Limited; Golden Ears Construction Ltd.; G. Peterson Const.; George Jacobsen; Koffmar Construction Ltd.; Neal's Construction Ltd.; Nu-West Development Corporation Ltd.; Palisade Developments Ltd.; Pearce Construction Company (1971) Ltd.; R. G. C. Drywall (1976) Ltd.; Schild Construction Ltd.; Schmid Brothers Construction Ltd.; Sidney Devries Cement Contracting Ltd.; V. Sparks; Springer Construction (Vancouver) Ltd.; W. E. Industries Ltd.;

#### iii) Sur-De

Allankay Construction Ltd.; L. R. Bourne; Bracco Homes Ltd.; Engineered Homes Limited; G. Peterson Const.; Gerhard Bartel Building Contractor Ltd.; E. B. Helmer; Hoing Construction Ltd.; J. and M. Home Improvements; J. Bright Holdings Ltd.; George Jacobsen; John Penner Construction Co. Ltd.; Alvin Letkeman; C. Merriam; Neal's Construction Ltd.; Nu-West Development Corporation Ltd.; Plaza Construction Ltd.; Qualico Developments Ltd.; Ridgewood Construction Ltd.; Schmid Brothers Construction Ltd.; Sidney Devries Cement Contracting Ltd.; Springer Construction (Vancouver) Ltd.; Sundel Developments Ltd.; V. Ozols Construction Ltd.; Walter's Homes.

#### **Houston:**

Crafco Homes Inc.; Cribbs Construction Inc.; Fred Bischoff Enterprises, Inc.; J. Culp, Inc.; J. & E. Homes, Inc.; Klassic Homes, Inc.; Kramer Enterprises, Inc.; Spindler Construction Ltd.; Nu-West Development Corporation Ltd.; Venture Residential, Inc.; George MacKeeney Builders, Inc.; Properties Plus, Inc.

#### **Divisional Advisory Boards**

#### Calgary

Ben Gross, Al Hill, Gary Reed, Mike Ross, Eck Spindler, Tony Usselman, Jim Wolfe.

#### Edmonton:

Eric Albrecht, Art Fleck, Stan Hooper, Rudy Janzen, Dave Jenkins, Gerard Lemieux, Nick Schintz.

#### Hamilton:

Don Ennis, Gordon James, Eric Johnson, Jay Robinson, Glyn Stanger.

#### Vancouver:

Peter Beauchamp, Doug Bigelow, Larry Bourne, Eugene Harder, Peter Hyndman, Denny Pearce, Mitts Sakai.

### Houston:

James Culp, George Eeds, Dick Hansen, Rudy Janzen, Will Kennard, Greg Martin.

#### ICI Division:

Walter Badun, Joseph Finochio, Ken Ford, Peter Hyndman, John Shields, Barry Wong.

Ralph Scurfield, Chairman of the Board; Joe Combe, Vice-Chairman of the Board and Chief Executive Officer; and Roy Wilson, President, are voting members of all advisory boards.

#### SUBSIDIARY COMPANIES

Sur-Del Builders Development Ltd.; Carma Developers (Realty) Ltd.; Carma Developers (Texas) Inc.; Carma Developers (Edmonton) Ltd.; Carma Developers (Ontario) Ltd.; Vandevco Development Ltd.

#### **Auditors:**

Winspear Higgins Stevenson & Co.

#### Transfer Agents and Registrar:

Montreal Trust Company — Class A and B Common Shares. The Canada Trust Company — Series A and Series B Secured Debentures. Guaranty Trust Company — Series A, First Preferred Shares.

#### **Shares Listed:**

Toronto Stock Exchange Alberta Stock Exchange

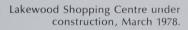
# **ICI Division Projects**

**Location Map of Deerfoot Business Centre.** 





Artists rending of Lakewood Shopping Centre in Edmonton.







Artists rendering of Braeside Shopping Centre in southwest Calgary.

Construction in progress on Phase I of Belmead Shopping Centre in Edmonton.





Artists rendering of Albion Plaza in Hamilton.

